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BILL ANALYSIS

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Senate Bill 967 (as introduced 12-6-07)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 12-12-07

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to allow a taxpayer, for the 2008 tax year, to claim a credit against the MBT equal to the expenses incurred by the taxpayer during the immediately preceding year to comply with former Section 3d of the Use Tax Act.

(Section 3d extended the use tax to certain services and appropriated $100,000 to the Department of Treasury for the implementation of the section's requirements. Section 3d was enacted by Public Act 93 of 2007 and repealed by Public Act 145 of 2007.)

A taxpayer that claimed the credit under the bill would have to verify that the actual expenses incurred as a result of the enactment of Section 3d were the same number as used to calculate the credit. The taxpayer would have to attach the verification to its annual MBT return for the tax year in which the credit was claimed.

If the amount of the credit exceeded the tax liability of the taxpayer for the tax year, the portion that exceeded the tax liability would be refunded.

The bill would take effect January 1, 2008.

Proposed MCL 208.1450 Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would reduce General Fund revenue in FY 2007-08 and FY 2008-09 by an unknown amount. Most of any impact would likely be experienced in FY 2008-09. The amount of the revenue reduction would depend upon the expenses incurred by taxpayers and covered by the bill. For example, if taxpayers had incurred $50 million of expenses and all affected businesses claimed the credit, it would reduce revenue by $50 million.

The bill would allow businesses that had no liability and/or were not required to file a return to claim the credit. However, the bill apparently would not allow certain fiscal year taxpayers to claim the credit, because the credit would have to be claimed in tax year 2008 for expenses incurred during the preceding year. A taxpayer with a fiscal year running from July to June, for example, would have likely incurred the expenses only during tax year 2008.

The bill would have no fiscal impact on local government.

Fiscal Analyst: David Zin

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